

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07 NSAE-00

L-03 AID-05 TRSE-00 OMB-01 /034 W

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R 071123Z MAY 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3225

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EO 11652: NA

TAGS: EINV, EG

SUBJECT: GOODYEAR INVESTMENT PROPOSAL

REF: CAIRO 6053

1. FOLLOWING MEETING WITH AMBASSADOR REPORTED
REFTEL, PURCELL OF GOODYEAR MET WITH MINECON SHAFEI.
HE HAS REPORTED THAT HIS MEETING WITH SHAFEI WAS
SATISFACTORY TO EXTENT THAT GOE AGREED TO WITHHOLD
FINAL DECISIONS UPON MICHELIN'S PROPOSALS UNTIL IT
HAD BEEN THOROUGHLY STUDIED.

2. IN OTHER RESPECTS, PURCELL'S MEETING WAS
EVIDENTLY LESS THAN REASSURING. IN EYES OF INVESTMENT
AUTHORITIES "IMPORT SUBSTITUTION IS STILL A BAD
PAIR OF WORDS." IT APPEARS THAT ENTIRE GOE DECISION
ON TIRE PROJECT IS BEING TAKEN ON BASIS OF MICHELIN'S
ASSURANCE THAT ITS INITIAL OPERATION WILL BE
SELF-SUFFICIENT IN FOREIGN EXCHANGE. EGYPTIAN
AUTHORITIES DO NOT APPEAR TO BE ASKING WHETHER
MICHELIN WILL STILL BE SELF-SUFFICIENT IN FOREIGN
EXCHANGE AFTER IT EVENTUALLY EXPANDS TO 1.2 MILLION
TIRES PER YEAR FROM INITIAL PRODUCTION LEVEL OF
250 THOUSAND PER YEAR. MICHELIN MAY BE USING
SELF-SUFFICIENCY OF FOREIGN EXCHANGE FOR PILOT
OPERATION TO ESTABLISH THEMSELVES IN EGYPT AND
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ASSUME THAT FOREIGN EXCHANGE SITUATION WILL IMPROVE

IN SEVERAL YEARS.

3. PURCELL SAYS HE SCORED POINTS WITH BOTH MINISTER AND REPRESENTATIVES OF LOCAL TIRE PRODUCER (HE FEELS LATTER STILL FAVORABLE TO GOODYEAR PROPOSAL) ON QUALITY AND HIGH PRICE OF TECHNICAL ASSISTANCE OFFERED BY MICHELIN TO LOCAL PRODUCER. FURTHER, MICHELIN PROPOSAL WILL NOT SUPPLY REQUIREMENTS OF LOCAL MARKET. ALTHOUGH ACKNOWLEDGING MICHELIN TECHNICAL SUPERIORITY IN PRODUCING STEEL BELTED RADIAL TRUCK TIRES, HE QUESTIONED WHETHER THIS TYPE OF TIRE WAS BEST CHOICE FOR EGYPT WITH ITS LOW STANDARDS OF VEHICLE FLEET MAINTENANCE.

4. COMMENT: WE FEEL THAT PURCELL VISIT WAS WORTHWHILE. HE FOLLOWED AMBASSADOR'S ADVICE IN DISCUSSIONS WITH MINECON SHAFEI AND DID RECEIVE INDICATION THAT GOE FINAL DECISION WOULD BE WITHHELD UNTIL DETAILS OF MICHELIN PROJECT WERE STUDIED. EMBASSY, AS WELL AS GOODYEAR, IN CONCERNED THAT GOE IS MAKING ITS FIRST MAJOR JOINT VENTURE INVESTMENT DECISION ON SUCH A CASUAL BASIS, BUT IT APPEARS THERE IS LITTLE MORE WE CAN DO TO REVERSE GOE ACTION BY FURTHER INITIATIVES AT THIS TIME.
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